

151 FERC ¶ 61,001  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
Norman C. Bay, and Colette D. Honorable.

KPC Pipeline, LLC

Docket No. RP15-594-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS,  
SUBJECT TO CONDITIONS

(Issued April 1, 2015)

1. On March 2, 2015, KPC Pipeline, LLC (KPC) filed tariff records<sup>1</sup> implementing its annual adjustment to its fuel reimbursement percentages (FRP). As discussed below, KPC's filing is accepted and suspended to be effective April 1, 2015, subject to conditions.<sup>2</sup>

**I. Details of the Filing**

2. KPC explains that pursuant to section 23 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, it is required to update its FRP by April 1 of each year. The FRP provides the mechanism for KPC to recover its fuel usage and lost and unaccounted for gas. The FRP is based upon (a) projections for the upcoming year and (b) a deferred account containing prior under or over-recoveries which must either be collected from shippers or returned to shippers.

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<sup>1</sup> KPC Pipeline, LLC, FERC NGA Gas Tariff, FERC Gas Tariff, Third Revised Volume No. 1, [1-Title Page, 5.0.0](#) and [12-Fuel Reimbursement Percentages, 6.0.0](#).

<sup>2</sup> KPC requested an April 1, 2015 effective date for the filed tariff sheet, which provided one day less than the 30-day notice required by section 4(d) of the Natural Gas Act and the Commission's regulations. 18 C.F.R. § 154.207 (2014). The Commission grants waiver of the 30-day notice requirement to allow the sheet to become effective as proposed subject to the suspension and conditions discussed herein.

3. KPC states that when preparing this year's annual filing, KPC's calculations showed that the FRP would increase significantly when compared with the reimbursement percentages submitted in last year's filing.<sup>3</sup> KPC determined that the increases to the FRP resulted from under-collections caused by several accounting errors in last year's FRP calculations. Specifically, KPC states that operational balancing agreement and cash-out amounts were entered incorrectly, causing KPC to calculate lost and unaccounted for amounts of 70,459 Dth when, in fact, the actual amount was 170,883 Dth. The error also caused KPC to underestimate the lost and unaccounted for amounts that were likely to occur in the then-upcoming twelve-month period (February 2014 through January 2015). KPC projected 19,988 Dth in lost and unaccounted for amounts for that period when, in fact, actual lost and unaccounted for amounts turned out to be 201,302 Dth. Additionally, KPC identified a separate error in the calculation of deferred fuel reimbursement account balances. Amounts consumed were added to amounts collected when, in fact, amounts collected should have been subtracted from amounts consumed.

4. KPC asserts that the under-recovery attributable to the accounting errors is recoverable in this year's filing. KPC notes that the under-recovery was incurred in the last year and, thus, is similar to the under-recoveries that KPC typically recovers through its deferred account. Moreover KPC states the Commission has permitted prior period adjustments in order to correct accounting and other errors.<sup>4</sup>

5. However, in order to avoid a dramatic increase in its FRP, KPC requests waiver of its tariff and proposes to amortize recoupment of the 126,000 Dth under-recovery attributable to the accounting errors over a five-year period. Thus, rather than recover the full 126,000 Dth under-recovery in this year's FRP, KPC proposes to recover 25,200 Dth over each of the next five years.

6. KPC also states that it is investigating the increased L&U experienced in the last two years. In this filing, KPC has calculated its FRP based upon a L&U of 67,101 Dth, which is more representative of historical lost and unaccounted for amounts on the system than the 201,302 Dth experienced during the prior period. KPC also states that it reserves the right to propose a mid-cycle adjustment to its FRP if, after investigating lost and accounted for amounts further, it determines that this projection is too low.

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<sup>3</sup> For example, when calculating the upcoming year's FRP using the procedures outlined in KPC's tariff, the FRP for transportation across all three rate zones during the April - October summer period increased from 0.7280 percent to 4.0539 percent.

<sup>4</sup> *MoGas Pipeline LLC*, 144 FERC ¶ 61,247 at P 12 (2013).

## **II. Notice of Filing, Interventions and Protests**

7. Public notice of the filing was issued on March 3, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), all timely-filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On March 16, 2015, Kansas Gas Service, Atmos Energy Corporation (Atmos), and the Kansas Corporation Commission (KCC) filed protests.

8. Kansas Gas Service, Atmos, and KCC state that the type of prior-period fuel adjustment sought by KPC is only permissible if (1) the recovery is permitted by the terms of the applicable tariff, (2) the losses are the type for which recovery was contemplated, (3) losses were not caused by grossly negligent or deliberate mismanagement. They claim that KPC's filing does not provide sufficient information to determine whether these conditions are met. For example, Kansas Gas Service states KPC's tariff requires KPC to maintain appropriate subaccounts to its Deferred Fuel Reimbursement Account and KPC has not provided any information regarding these subaccounts.

9. KCC, Atmos, and the Kansas Gas Service also raise concerns regarding KPC's proposed amortization of the under-recoveries. They state that KPC ignores significant intergenerational equity issues related to the proposed five-year amortization. Among other issues, Kansas Gas Service and Atmos are also concerned that the five-year amortization could expose shippers to the risk of rising prices for natural gas during the five-year amortization period. KPC proposes that the value of gas to be recovered via amortization should be capped based upon present gas prices.

10. The protests also express concerns regarding the variability in the FRP. Kansas Gas Service states that KPC's filing continues a pattern of dramatic swings in fuel reimbursement generated by KPC's fuel use tracker over the past three years. Along similar lines, Atmos objects to KPC's attempt to reserve "the right to propose a mid-cycle adjustment to its fuel reimbursement percentages if, after investigating lost and accounted for amounts further, it determines that this projection is too low." Atmos states such a proposal is outside the scope of KPC's tariff and should not be permitted.

## **III. Discussion**

11. The Commission accepts and suspends KPC's FRP filing subject to further Commission review. The Commission requires additional information concerning KPC's calculation of the proposed FRP rates. Accordingly, within 30-days of the issuance of this order, KPC must provide the following additional information: 1) a description of each element included in the L&U calculation and how it affects the actual L&U

calculation;<sup>5</sup> 2) an explanation of why the 2014 L&U calculation appears to include different elements from the 2013 calculation;<sup>6</sup> 3) a description of the mathematical formula used to calculate L&U; 4) an explanation for the increased L&U on KPC's system over the past two years; and 5) a complete response to all issues raised by the protests. Upon receipt of this additional information, the Commission will determine what further process, if any, is needed.

12. Based on a review of the filing, the Commission finds that KPC's proposed tariff records have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. The Commission's policy regarding suspension is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.<sup>7</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>8</sup> Such circumstances exist here, where the filing is made pursuant to the fuel tracker methodology included in the pipeline's tariff. Accordingly, the Commission will accept and suspend the effectiveness of the tariff records to be effective April 1, 2015, subject to KPC's providing adequate additional information on its filing.

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<sup>5</sup> KPC, FRP Filing, Appendix B-3, at 4.

<sup>6</sup> Compare KPC, FRP Filing, Appendix B-3, at 4 ("L&U Calculation" table) with KPC, FRP Filing, Appendix B-1, at 4 ("Corrected L&U" table).

<sup>7</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>8</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

The Commission orders:

The proposed tariff records are accepted and suspended, to be effective April 1, 2015 subject to KPC providing additional information as discussed above.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.